Human Resource Competency Study Executive Summary

This Executive Summary reviews the findings of the 2007 round of the Human Resource Competency Study, conducted jointly by the RBL Group and the Ross School at the University of Michigan. This study has been conducted 5 times over the past 20 years and has provided the most comprehensive global empirical review of the HR profession. Over the lifespan of the study over 40,000 HR professionals and their line management associates have been involved.

To expand the global reach of the HR Competency Study, we worked with partner organizations in six distinct regions around the world:

Region	Partnering Organization
North America	Society for Human Resource Management (SHRM)
Latin America	IAE School of Business
Europe	Irish Management Institute (IMI)
China	Tsinghua University
Australia	Australia Human Resource Institute (AHRI)
India	National HRD Network

With the help of these regional partners, the 2007 round of the HR Competency Study involved the participation of over 10,000 HR professionals and their line management.

The information in this executive summary is divided into three parts:

1. Business Context and Demographics
2. The New HR Competency Model for 2007 HRCS
3. Key Findings

1. Business Context and Demographics

Business Context

In our dealings in the world of business, similar themes continually surface. Globalization has made the world a global village and new markets (particularly in China, India, Brazil, and Russia) offer new challenges and opportunities. Global issues like trade barriers, exchange rates, tariffs, and distribution become important elements of managerial choice. Technology has increased accessibility, visibility, and connection. The connected world is smaller, changing rapidly, and has more open information. Employees represent increasingly diverse demographic backgrounds. In some parts of the world, the workforce is aging more than in others. Employee expectations are constantly rising as they gain in education and skills. Customers have become increasingly

segmented, literate, and demanding.
Investors have become increasingly attuned to and actively concerned about not only financial results, but intangibles. Competitors come from both traditional large global players and increasingly smaller investors.

Many spend enormous time specifying these trends and their implications on the business. Most of these trends are outside the control of any one individual or any one company. They occur in both predictable and unpredictable ways. They affect all aspects of business from how to fund a firm to how to position the firm in customer minds and how to engineer and deliver products. They also affect Human Resources. HR Practices are becoming more integrated, aligned, and innovative. HR Departments are operating more like a business within the business with a clear strategy and channels of distribution. HR professionals are expected to contribute by the competencies they possess.

Demographics

The 2007 round of HRCS is based on a 360-degree methodology with about 1,700 participants and 8,300 associate raters. Overall, this data set is comprised of survey responses from over 10,000 HR professionals and their line management from six regions. More than ever before, this has been a global effort. Number of respondents by region can be seen in Table 1.

Table 1: Demographics by Region

	US & Canada	Latin America	Europe	China	Australia / Asia Pacific	India
# of Respondents	2,773	2,127	1,553	2,110	1,235	263
% of Respondents	28%	21%	15%	21%	12%	3%

These respondents comprise three groups:

- Participating HR professionals completed the survey in evaluating themselves
- HR professionals who are peers or associates evaluated the participating HR professionals
- Non-HR associates (who are generally line executives and internal customers) evaluated the participating HR professionals

These groups provided the opportunity to look at different perspectives regarding HR as a profession, the HR department, and the competencies needed by HR professionals to be effective in their organization.

Within this dataset, several trends are apparent simply by looking at the demographics of the dataset. Some of these trends are as follows:

- **More women in HR**. In 1988, 23% of participants were women; in the 2007 round, that number had increased to 54%.

- **People joining HR from other areas**. Years of professional experience versus years in HR indicate that HR professionals are joining HR from other functional areas.

- **China has an emerging HR profession**. 60% of participants have fewer than 5 years experience in HR.

- **Functional HR to Embedded HR**. There appears to be a trend away from functional HR and into embedded HR (except China, which remains largely functional).

2. The New HR Competency Model for 2007 HRCS

Six major categories or domains of HR competencies emerged from the fifth round of the Human Resource Competency Study. We define the HR competencies not just as knowledge, ability, and values, but also as the ability to use this knowledge. For example, in the past we defined the domain *Business Knowledge* as knowledge about the business in which an HR professional works. In the current study, we now call this domain *Business Ally,* implying a more active role in applying that knowledge*.* We see HR professionals as needing to *know*, but more importantly, needing to *do* what they know. The Competency Model for the New HR can be found below, followed by a short explanation of each competency domain.

Figure 1: HR Competency Model

Credible Activist
The HR professional is both credible (respected, admired, listened to) and active (offers a point of view, takes a position, challenges assumptions). Some have called this *HR with an attitude.* HR professionals who are credible but not activists are admired, but do not have much impact. Those who are activists but not credible may have ideas but will not be listened to.

Culture and Change Steward
The HR professional recognizes, articulates, and helps shape a company's culture. Culture is a pattern of activities more than a single event. Ideally this culture starts with clarity around external customer expectations (firm identity or brand), and then translates these expectations into internal employee and organization behaviors.

As stewards of culture, HR professionals respect the past culture and also can help to shape a new culture. They coach managers in how their actions reflect and drive culture; they weave the cultural standards into HR practices and processes; and they make culture real to employees.

Additionally, successful HR professionals facilitate change in two ways. First, they help make culture happen. Second, they develop disciplines to make changes happen throughout the organization. This may include implementation of strategy, projects, or initiatives. They help turn what is known into what is done.

Talent Manager/Organizational Designer

The HR professional masters theory, research, and practice in both talent management and organization design. Talent management focuses on how individuals enter, move up, across, or out of the organization. Organization design focuses on the capabilities an organization has that are embedded in the structure, processes, and policies that shape how an organization works.

HR professionals should make sure that these HR practices are aligned with customer expectations and strategy, integrated with each other, and innovative. HR is not just about talent or organization, but about the two of them together. Good talent without a supporting organization will not be sustained and a good organization will not fully deliver without good talent.

Strategy Architect

The HR professional has a vision for how the organization can win in the future and plays an active part in the establishment of the overall strategy to deliver on this vision. This incorporates recognizing business trends and their impact on the business, being able to forecast potential obstacles to success, and facilitating the process of gaining strategic clarity.

The HR professional also contributes to the building of the overall strategy by linking the internal organization to external customer expectations. This linkage helps make customer-driven business strategies real to the employees of the company.

Operational Executor

The HR professional executes the operational aspects of managing people and organizations. Policies need to be drafted, adapted, and implemented. Employees also have many administrative needs (e.g., to be paid, relocated, hired, trained, etc.)

HR professionals ensure that these basic needs are efficiently dealt with through technology, shared services, and/or outsourcing. This operational work of HR ensures credibility if executed flawlessly and grounded in the consistent application of policies.

Business Ally

The HR professional contributes to the success of the business. Businesses succeed by setting goals and objectives that allow them to respond to external conditions. HR professionals contribute to the success of a business by knowing the social context or setting in which their business operates. They also know how the business makes money, which we call the value chain of the business (who customers are and why they buy the company's products or services). And, they

have a base understanding of the parts of the business (finance, marketing, R&D, engineering) so that they can help the business organize to make money.

3. Key Findings

In analyzing the data, we spent a lot of time comparing subsets of the data (HR vs. Non HR, associate rater vs. participant, regions) all of which help identify requirements for how HR can add value. For the purposes of this report, initial impressions and findings are divided into three areas: (1) general findings, (2) findings that matter to the HR professional, and (3) findings that matter to the overall HR department.

General Findings

Differences in Perception In the comparison of several subsets of this dataset, two specific differences became apparent from the factor analysis.

- **Customer views for HR**. Non-HR associate raters believe that external customers can and should be brought into the HR work. HR respondents did not perceive this. This indicates that HR practitioners may still be defining "customers" as employees and line managers and not as the external customers of the firm. HR professionals need to pay more attention to the real external customer and find ways to bring them into the organization. When this factor is regressed against business performance, it is 7% higher (27% vs. 20%) for non-HR associates than it is for HR participants and associates, meaning that non-HR associates view it as having a stronger effect on the business than do their HR counterparts.

- **Designing Rewards Systems**. Non-HR associate raters seem to see reward systems (compensation, benefits, performance appraisal, etc.) as connected to the HR practices of talent management and organization development. HR associates and participants put reward activities together with operational / tactical items. This is a fascinating difference in opinion. It may be that HR departments are shifting their more strategic work to talent and organization and compensation is beginning to be more routine and transactional. It may be that compensation and talent management / organization design professionals are becoming separated (compensation people don't attend TMOD conferences, and vice versa). This could be a weakness in building an integrated view of HR practices. Clearly, compensation systems affect or at least reinforce actions of employees, but they may not be as integrated as they could or should be with other HR work.

Emerging markets The amount of emphasis put on each of the competencies for HR professionals varies by emerging vs. traditional markets. In emerging markets (India, China), HR professionals need to pay more attention to the Operational Executor and Business Ally skills, whereas in the mature markets these items are seen as table stakes or tickets of admission to the partner role.

Talent Manager *and* Organization Designer In our initial factor analysis, talent and organization items factored within the same domain, indicating that while they are different, they need to be connected. It is not enough to get good people (ergo a danger of moving to *human capital*) without organization that sustains it. This is a significant shift away from the current trend, where many HR

professionals focus extensively on talent management. Talent management without attention to organization capability is insufficient. This idea is reinforced by the impact that the HR department has on business performance. HR departments account for around 25% of business performance, while HR competencies of individual HR professionals account for about 20%.

Culture Steward In previous work, culture was subsumed under "strategic contribution." This time it formed a unique domain. Evidently in the last few years HR's ability to define, create, manage, and change culture has become a unique source of competence that HR professionals must demonstrate. Somewhat ironically, this domain is the 2nd highest rated in predicting performance of both HR professional and HR department effectiveness (above Strategy Architect and Talent Manager/Organization Designer). So, HR professionals are being asked to manage culture and they seem to be doing it better than some of the more traditional roles. This may indicate a shift in how HR is viewed.

Findings for the HR professional

Business impact. Based on other research, management has about 50% influence on a firm's performance; the other 50% is outside the control of management (economic conditions, competitors' actions, etc.).[1] HR is a part of the managerial 50% (in addition to choices about strategy, marketing, manufacturing, etc). The overall impact of what HR professionals know and do has increased in terms of its impact on business performance to roughly 20%. So, the competencies of HR professionals account for roughly 20% of the 50% of managerial impact on business results.

Non-HR respondents want HR professionals to play a more active role. Increasingly, business demands place a higher set of expectations on HR professionals. Non-HR professionals want more from HR professionals than ever before.

Credible Activist. This domain showed the highest importance in predicting the effectiveness of an HR professional. HR professionals must earn their credibility by building relationships of trust, but they then must take an active stance to make a difference in results. Credibility is not enough without action, particularly action within the other five domains.

Culture and Change Steward, Talent Manager / Organization Designer, and Strategy Architect. These three domains of HR competence form a collection of things HR professionals should know and do to make a difference. As noted, culture means turning events into patterns. Talent Managers ensure a flow of future talent. Organization Designers make sure that the organization has the capabilities to compete. Strategy Architects pay attention to the business's competitiveness and customers.

Business Ally and Operational Executor. We find that these are table stakes. They are necessary but not sufficient. As mentioned above, in emerging markets (China, India) these are more important for the success of the HR professional than in more mature markets where the managers may assume that HR professionals can do these things.

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[1] Anita McGahan and Michael Porter, "How Much Does Industry Matter, Really?" *Strategic Management Journal,* 18 (Summer special issue): 15-30, 1997.
Rumelt, Richard. 1991. How Much Does Industry Matter? *Strategic Management Journal, 12(3), pp. 167-185.*

Findings for the HR Department

• **HR department focus**. HR departments have 25% more impact on the performance of the business than the competencies of the HR professionals. In previous years, we encouraged building the talent of individual HR professionals; now we need to make sure that the HR department works well as a function.

• **Stakeholders**. HR departments need to focus on a mix of all stakeholders to have full impact on the business. We assume (did not test) that in previous years, HR primarily focused on employees and line managers, but we found that an equal focus on customers, investors, and communities affects business results. It is not enough to have talented HR people; we need capable HR departments. The old adage "I like my HR person; I hate my HR department" may be out of date. We also found that HR departments should build practices and activities with an eye to employees and investors, but they should involve line managers and customers to make things happen.

• **HR organization**. When the HR organization is aligned with the business strategy and with the business organization, higher business results follow.

Conclusion

The business context and organization capabilities required to succeed have raised the bar on HR professionals. HR professionals who would have succeeded 30, 20, even 10 years ago would not be as likely to succeed today. HR professionals are expected to play new roles, and to be able to play those roles, they need new competencies. As a result of the HR Competency Study we have a greater understanding of the competencies needed by HR professionals and agendas needed by HR departments to impact business performance.

Moving forward, we plan to continue data collection in India to get a larger and more workable sample. We will also be partnering with an organization in the Middle East to collect data in that region. This year will be spent continuing the analysis we have begun to better understand the implications of the results of the survey. Our regional partners will likewise be delving into the research to understand the implications for their regions specifically. Future publications and presentations of the results will be directed to both the academic and professional community.

For more information on this study or to participate in a HR Competency 360 Survey, please contact us at rblmail@rbl.net or by telephone at (801) 373-4238.